



2019 Tolling Report

January 2019



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TOLLING INTRODUCTION

The Commission, as the State Tolling Authority, sets toll rates and policies for all tolled facilities statewide, including: the SR 520 floating bridge, the SR 16 Tacoma Narrows Bridge (TNB), the I-405 Express Toll Lanes (ETLs), the SR 167 High Occupancy Toll (HOT) Lanes, and the soon to open SR 99 tunnel.

Washington State Tolling Roles & Responsibilities

	Washington State Legislature	Transportation Commission	Department of Transportation	Office of the State Treasurer
Responsibility	Establish tolling, designate toll corridors and use of toll revenues	Set toll rates, policies, and related fees	Plan, analyze and construct facilities, collect tolls, build and operate toll collection systems	
Roles	<ul style="list-style-type: none"> • Establish legal toll framework • Authorize tolling in designated corridors • Approve financing plans • Enable tolling practices • Appropriate toll operation budget 	<ul style="list-style-type: none"> • Set toll rates within funding requirements • Set toll exemptions • Set tolling policies • Establish advisory committees 	<ul style="list-style-type: none"> • Develop toll collection systems and procedures • Collect tolls • Finance improvements • Operate tolled corridors • Assess financial feasibility of toll projects 	<ul style="list-style-type: none"> • Conducts all financings for the State of Washington • Responsible for the issuance of toll debt

Total toll revenue for the state's tolled facilities is projected to generate about \$390 million during the current biennium (July 1, 2017 – June 30, 2019). All of this revenue is dedicated in law to support the toll facility from which it was collected.

While tolling is used to raise revenue for capital improvements, on-going operations and maintenance, and to improve traffic flows, the Commission recognizes tolling carries a real financial impact for those drivers who regularly travel on tolled facilities, and potential traffic impacts from diversion to alternative routes or lanes. When toll rates or policies need to be set or adjusted, the Commission works to keep toll rates as low as possible while still ensuring necessary revenue levels are generated to cover costs as required in law. To do so, the Commission

carefully reviews traffic and revenue projections, listens to affected members of impacted communities, and seeks to ensure customers are treated fairly. The Commission also seeks to ensure the public understands that their tolls are being used to support the very tolled facilities they travel on.

This report summarizes the Commission's toll-related activities during 2018, and expected activities for 2019. While there are no planned toll rate adjustments for any tolled facility in 2019, this report will provide insight into the coming 12 months and indicate possible risk factors.

Expected 2019 toll-related activity includes a review of revenues, traffic volumes, and overall financial performance for the SR 16 TNB and the SR 520 Floating Bridge, and continued monitoring of financial

and operational performance of the I-405 ETLs and SR 167 HOT Lanes facilities.

Regarding the SR 99 tunnel, prior to tolling, the Commission will monitor traffic with the opening of the tunnel in early 2019, as well as progress on factors impacting the start of tolling later in 2019. Once tolling begins, the Commission will regularly monitor revenue and operational performance to ensure toll rates are set at appropriate levels.

In addition, the Commission will continue to participate in on-going design and financial planning for longer-term projects designated by the Legislature as future tolled facilities, including: the SR 167 and SR

509 completion projects (Gateway Program), and the extension of express toll lanes on I-405 from Bellevue to Renton.

The Commission will also continue to monitor progress on WSDOT's implementation of a new back office system, expected to be implemented in late spring 2019.

Tolling Gantry



Northbound lanes in the SR 99 Tunnel

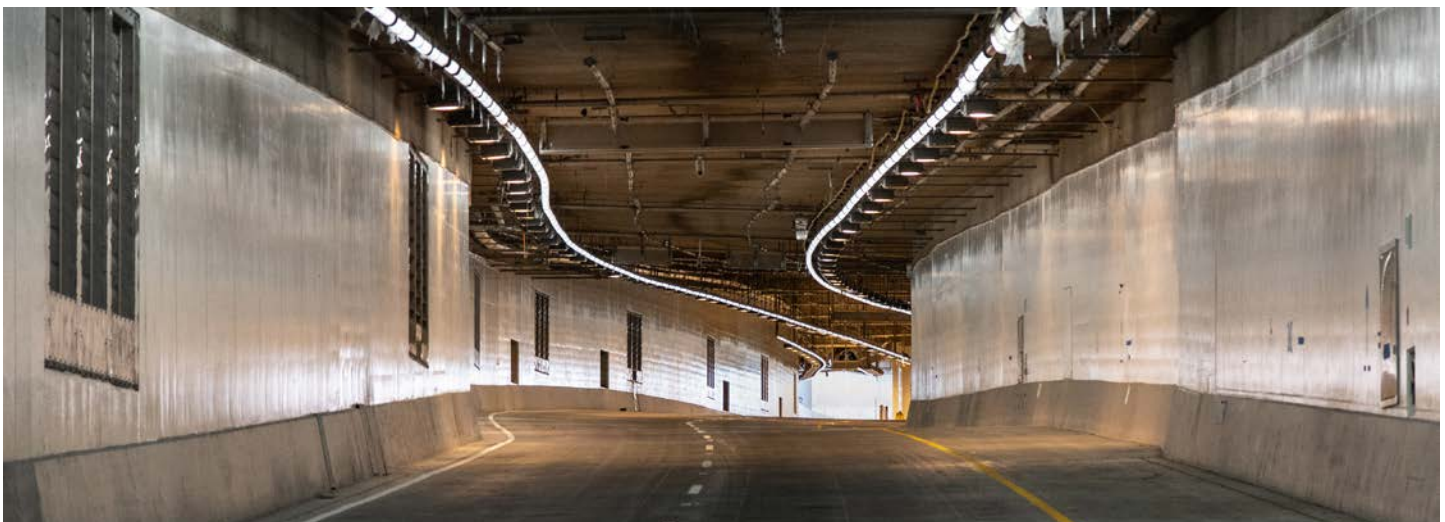


Photo Courtesy WSDOT: August 12, 2018

SR 16 TACOMA NARROWS BRIDGE

Scheduled increases in debt service payments require the Commission to regularly review traffic volumes and revenue collections on the SR 16 Tacoma Narrows Bridge (TNB). For example, debt service payments in the 2017-19 biennium increased by nearly 7.5% over the prior biennium. These reviews ensure TNB tolls generate adequate revenue to make debt service payments, and to maintain and operate the facility as required in law.

Below are the current toll rates. These rates have been in effect since July 1, 2015.

Payment Method	Toll Rate
<i>Good to Go!</i> (Transponder)	\$5.00
Cash at Tollbooth	\$6.00
Pay-By-Mail	\$7.00

For all payment methods, the toll rate increases with each additional axle.

2018 Commission Action

The Commission made no changes to TNB toll rates in 2018, but monitored traffic volumes, revenue performance, and costs.

The Commission also updated the sufficient minimum balance (SMB) policy for the TNB account. The SMB's intent is to safeguard against a negative TNB account fund balance by requiring a minimum amount of funding be maintained in the account based on a rolling three-month average of the fund balance. Created by the Commission in 2010, Commissioners changed the minimum amount required from 12.5% of annual total TNB costs to a flat \$10 million in January 2018 to better reflect the financial risks for the facility.

In 2018, the Legislature passed legislation (SHB 2990) stating its intent to provide up to \$85 million in loans to keep toll rates at no higher than current levels until debt service, deferred sales tax, and loans are repaid (through about FY 2032), except for a \$0.25 rate increase for FY 2022. The 2018 legislation followed recommendations and analysis developed by the TNB Work Group in 2017.

As directed by the Legislature in 2017, the Commission convened the TNB Work Group, comprised of legislators and local TNB stakeholders to recommend funding alternatives for the TNB that would provide

toll payer relief from increasing toll rates. The Commission provided the Work Group's analysis and recommendations to the Legislature in January 2018.

The 2018 legislation directed the Commission to provide the Legislature with an update on the loan amounts needed to meet the bill's intent, based on current financial information. This update is included with this Toll Report in Appendix A.

2019 Plans

In alignment with the Legislature's intent stated in the 2018 legislation, in order to avoid a rate increase on July 1, 2019, the Legislature needs to approve a loan of about \$6.5 million for FY 2020 during the 2019 Legislative session (See Appendix A). Without this loan, or other source of funding, the Commission will be required to initiate a rate-setting process by late spring 2019. If so, the Commission will work with the TNB Citizen Advisory Committee (CAC) and WSDOT to determine a rate increase proposal that will provide revenue sufficient to cover annual expenses through the next fiscal year.

SR 16 Tacoma Narrows Bridge



(WSDOT)

SR 520 FLOATING BRIDGE

On April 25, 2016, the new SR 520 Floating Bridge opened for traffic. With the opening, WSDOT shifted traffic and tolling from the old to the new bridge.

Tolls will contribute a total of \$1.2 billion towards construction of the SR 520 Floating Bridge Project. The tolls also fully fund the maintenance, operations, and insurance for the bridge as well as managing congestion. Rates vary by day of week and time of day to maximize revenue and vehicle throughput, and minimize diversion to other routes. This kind of tolling is referred to as “variable tolling.”

Below are the current toll rates. These rates have been in effect since July 1, 2017.

Good To Go! Toll Rates	
Peak period weekday rates (7am - 9am; 3pm - 6pm)	\$4.30
Off-peak weekday rates	\$2.00 - \$3.40
Weekend rates & specified holidays	\$1.40 - \$2.65
Overnight rates (11pm – 5am)	\$1.25

Pay by Mail toll rates are the *Good To Go!* toll rates, plus a \$2.00 fee. Toll rates increase with each additional axle.

2018 Commission Action

The Commission made no changes to SR 520 Floating Bridge toll rates in 2018, but closely monitored traffic volumes, revenue performance, and costs.

2019 Plans

Pending the Washington State Office of the State Treasurer’s (OST) certification in early 2019, initial WSDOT analysis indicates no toll rate changes are necessary for the SR 520 Floating Bridge to ensure the sufficiency of revenues for covering costs as required to meet legal and bond covenant requirements.

The Commission will continue to closely monitor traffic volumes, revenue performance, and costs for the SR 520 Floating Bridge throughout the year to determine if further action is necessary.

SR 520 Floating Bridge



(WSDOT, June 2017)

SR 99 TUNNEL

State law requires that SR 99 tunnel tolls be used to repay \$200 million borrowed to build the tunnel as well as related debt service costs, and ongoing operations and maintenance costs for the tunnel and tolling of the facility.

2018 Commission Action

In October 2018 the Commission adopted toll rates for the SR 99 tunnel facility. These toll rates were set based on current traffic and revenue projections, as well as established funding and financing requirements. The Commission will annually review toll rates and schedule increases.

The adopted toll rates and escalation plan are displayed below. The Commission selected this toll rate schedule because it:

- Best addresses funding obligations and financial requirements.
- Limits toll rate increases during initial years of tolling.
- Provides for the fewest toll rate changes each day.
- Sets proposed rate increases (escalation) at less than projected inflation.

Vehicles that will be exempt from paying tolls for the SR 99 tunnel will be consistent with non-HOV system wide exemptions adopted by the Transportation Commission in July 2018 for public transit, emergency responders, highway maintenance vehicles, qualified school buses and qualified private buses, which serve the public or commuters.

SR 99 tunnel toll rate schedule with *Good to Go!* Pass (2 axles)

Weekdays	
6am – 7am	\$1.25
7am – 9am	\$1.50
9am – 3pm	\$1.25
3pm – 6pm	\$2.25
6pm – 11pm	\$1.25
11pm – 6am	\$1.00
Weekends	
	\$1.00

Tolls increase 3 percent every three years starting 2022 including nights & weekends.

2019 Plans

In early February 2019, the Washington State Department of Transportation (WSDOT) anticipates the tunnel to open for traffic with no tolls, following a three week closure of the Alaskan Way Viaduct, beginning in early January 2019. Tolling is anticipated to begin as soon as summer 2019.

The Commission will monitor the traffic in the tunnel and throughout downtown Seattle during the period of no tolling, as well as revenues once tolling commences. The Commission will also continue to monitor progress on projects and decisions impacting the commencement of tolling on the facility.

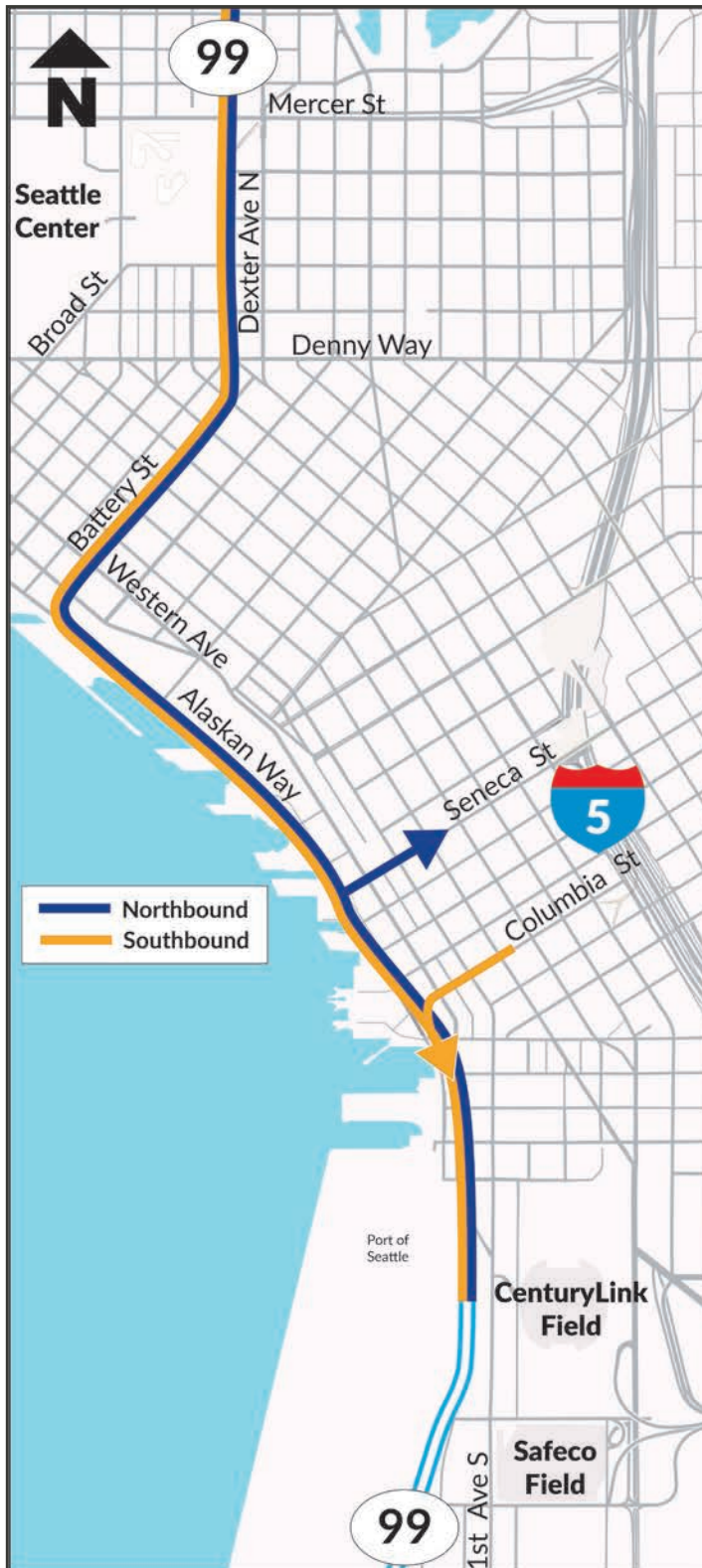
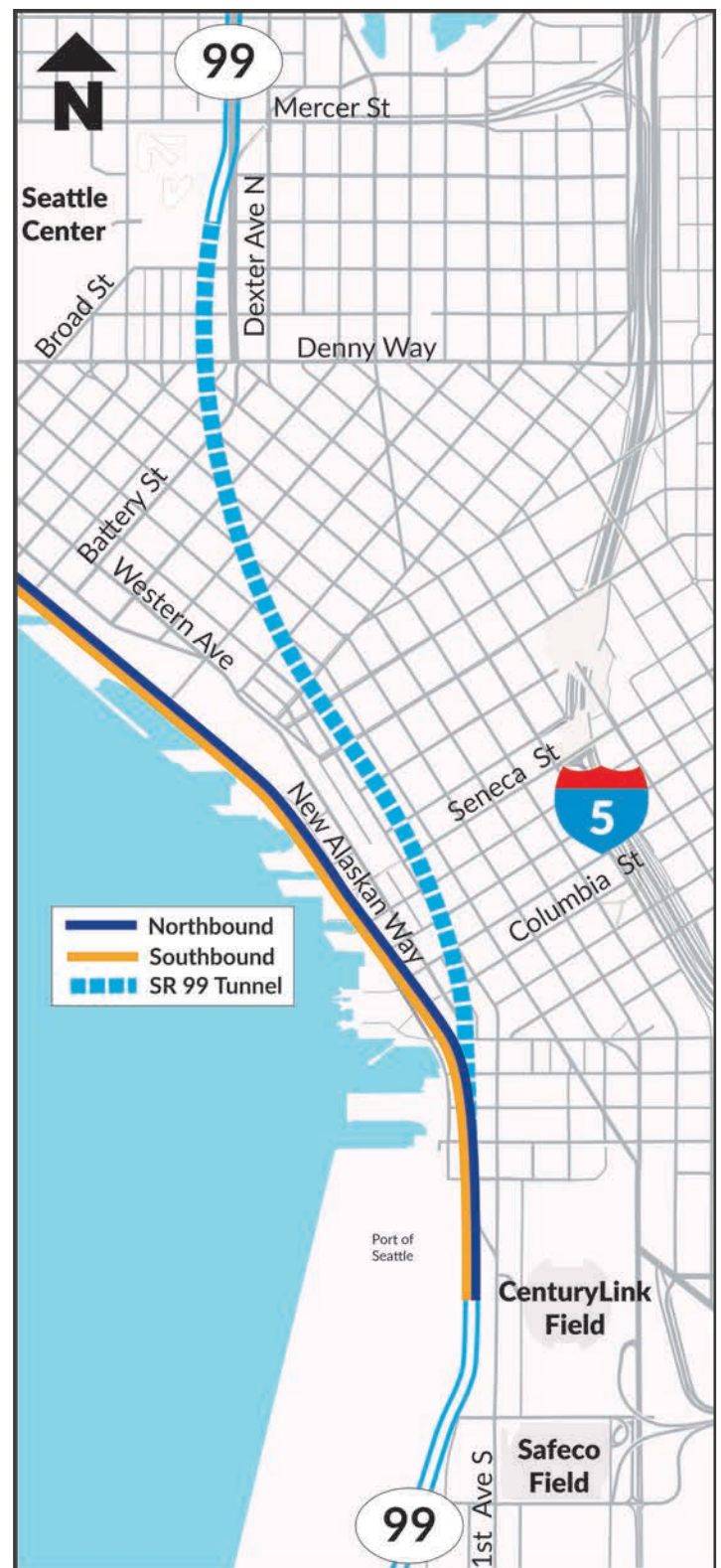
In the 2018 supplemental transportation budget, the Legislature directed the Commission to exclude SR 99 tunnel facility repair and replacement costs when setting initial SR 99 tunnel toll rates. If the Legislature decides that facility repair and replacement costs should be covered by toll revenues, the Commission will need to adjust toll rates in the next couple of years.

Northbound lanes in the SR 99 Tunnel



(WSDOT: August 12, 2018)

The two maps below display the Alaskan Way and SR 99 corridor through downtown Seattle before and after the opening of the SR 99 tunnel.

Before**After**

TOLL MANAGED LANES

The I-405 express toll lanes (ETLs) and SR 167 HOT lanes are tolled managed lane facilities. Managed lanes are highway facilities or a set of lanes where operational strategies are proactively implemented and managed in response to changing conditions. Generally managed lanes are separated from other lanes and use access restrictions to maintain reliable throughput and speed.

The I-405 ETLs and SR 167 HOT Lanes have dynamic price tolling to provide faster, more predictable trips for transit, carpoolers, and toll-paying vehicles. An algorithm responds primarily to changing vehicle volumes in the managed lanes to maximize speed performance. Toll rates, as displayed on overhead electronic signs, increase primarily as congestion increases in the managed lanes, and drop accordingly with reduced congestion to boost efficient traffic movement throughout the corridor. Toll revenue that is generated by the facility is used to cover operations and maintenance costs of the tolled facility. All additional revenue is used to fund improvements to the corridor in which they are collected.

I-405 EXPRESS TOLL LANES (ETLs)

The I-405 Express Toll Lanes (ETLs) between Lynnwood and Bellevue opened in September 2015. This included conversion of the existing High Occupancy Vehicle (HOV) lane to an ETL, and the addition of an ETL in each direction between SR 522 and Bellevue.

The ETLs operate from 5am-7pm on weekdays, allowing drivers of vehicles equipped with a transponder to buy into the lanes. HOVs with 2+ people are exempt from tolls from 9am-3pm, while HOVs with 3+ people are always exempt. HOVs must be equipped with a flex pass transponder to qualify for exemptions. The ETLs are open toll free to all vehicles from 7pm-5am on weekdays, and all day on weekends and major federal holidays

Toll rates for the 17 miles of ETLs range from \$0.75-\$10.00, varying automatically depending on traffic volumes and speeds. Through the summer of 2018, the average toll rate paid during peak periods since the ETLs opened has been \$3.17, with the average toll rate at \$4.42 for peak period, peak direction trip in the July –September 2018.

By law, ETL toll revenue in excess of operational costs is dedicated to future improvements for the I-405 corridor. Through October 2018, the ETLs had generated \$74.9 million. This has contributed \$25 million for operations and maintenance costs, such as maintenance and operations for the toll equipment, customer service center, and enforcement. It has also provided \$48.9 million for I-405 corridor

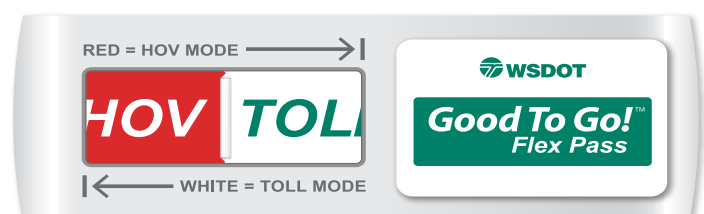
improvements, of which \$26.5 million has been invested in improvements, with \$23.4 million remaining for future corridor improvements.

An example how ETL toll revenue has been used to benefit the I-405 corridor is the reinvestment of \$11.5 million for engineering and construction of the northbound peak-use shoulder lane between SR 527 and I-5. Opened to general purpose traffic for the afternoon commute in April 2017, this lane has helped alleviate congestion on the north end of the corridor where the ETL goes to a single lane.

2018 Commission Action

The Commission made no changes to minimum and maximum I-405 ETL toll rates or to I-405 ETL toll policies in 2018, but closely monitored traffic volumes, revenue performance, and costs.

Good To Go! Flex Pass Transponder



2019 Plans

The Commission will continue to actively monitor ETL performance, particularly during peak periods.

I-405 ETL Map (Dec 2018)



SR 167 HIGH OCCUPANCY TOLL (HOT) LANES

In operation since 2008, the SR 167 High Occupancy Toll (HOT) Lanes are a pilot project allowing drivers of single occupancy vehicles equipped with a transponder to buy into the SR 167 2+ HOV lanes between Auburn and Renton northbound and between Renton and the Pierce County line southbound.

Like the I-405 ETLs, the SR 167 HOT lanes are dynamically tolled and the toll rate is posted on electronic signs, varying based upon traffic volumes and speed. The SR 167 HOT lanes differ from the I-405 ETLs in that no transponder is required for HOVs to use the lane toll free. The Commission has maintained the original minimum and maximum toll rates of \$0.50 and \$9.00 since the lanes opened in 2008. Tolling operations on the SR 167 HOT Lanes is from 5am – 7pm, seven days a week, with the lanes open to all toll-free from 7pm – 5am each day.

SR 167 HOT Lane sign



(WSDOT)

Use of the SR 167 HOT Lanes continues to grow, with an 8.5% growth in tolled transactions in FY 2018 over the prior year. The Legislature has extended the pilot project through the 2017-2019 biennium, but for the SR 167 HOT Lanes to remain in operation past June 30, 2019, the Legislature must take action to extend the pilot project, or establish it as a permanent tolling facility.

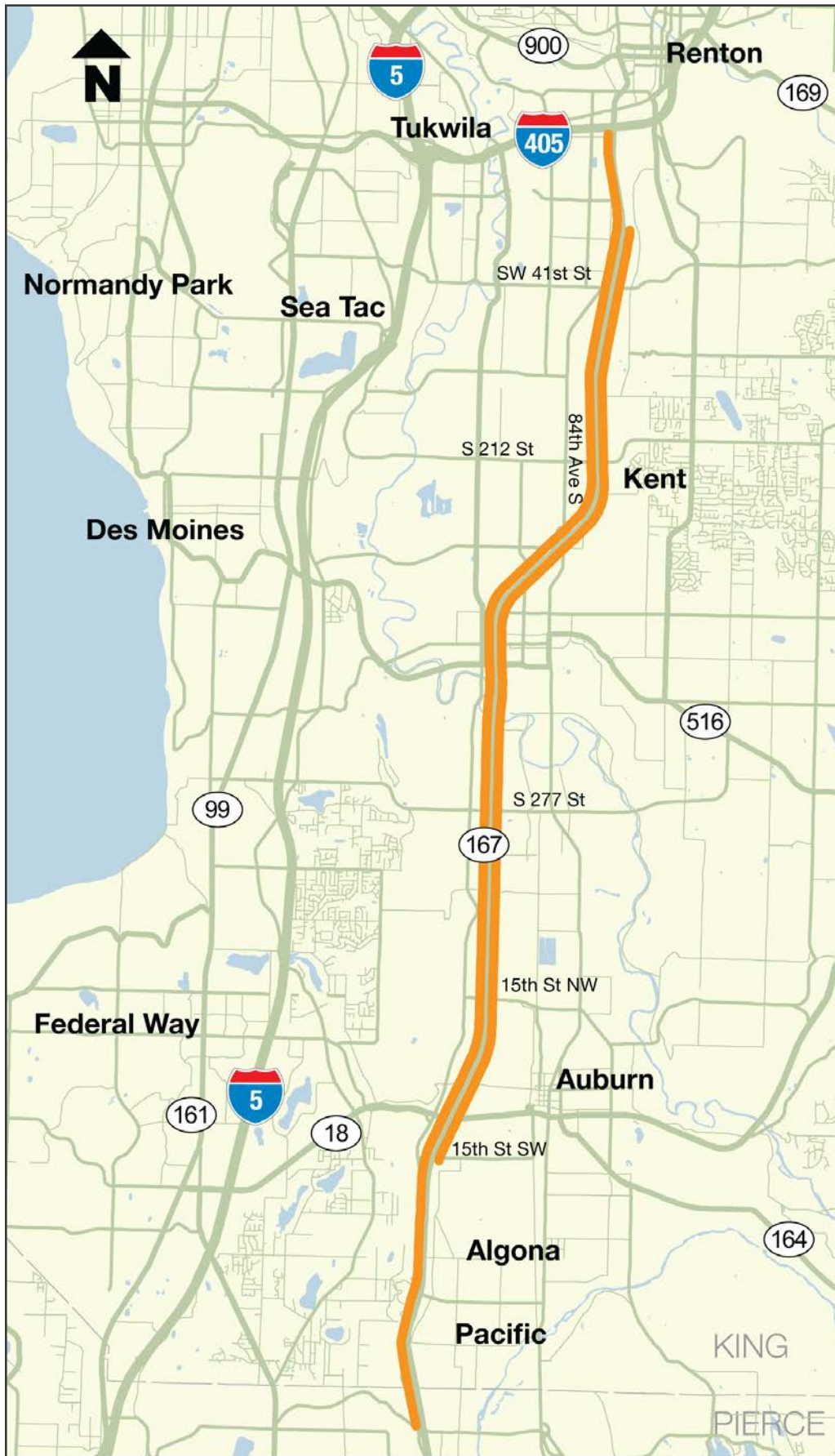
2018 Commission Action

The Commission made no changes to minimum and maximum SR 167 HOT Lane toll rates in 2018 or to related toll rate policies, but monitored traffic volumes, revenue performance, and costs.

2019 Plans

The Commission will continue to closely monitor the traffic and revenue performance of the SR 167 HOT Lane operations, and will assess and identify opportunities to improve operational consistency with the I-405 corridor and the other tolled facilities.

SR 167 HOT Lanes Map (Dec 2018)



TOLLING POLICIES AND PLANNING

The Transportation Commission's role as the state tolling authority includes reviewing toll collection and operational policies, as well as establishing which vehicles may be exempt from tolling, if any (RCW 47.56.850(1)). As the number of tolling facilities has increased, the Transportation Commission has increasingly taken a systemic approach to reviewing and considering these tolling policies, including exemptions. Taking a systemic approach enables policy consistency when achievable, thus minimizing public confusion and increasing operational efficiencies. To this end, the Transportation Commission adopted revised exemption policies in 2018.

2018 Commission Action

In July 2018, after input from the public and stakeholders, the Transportation Commission adopted policy changes to tolling exemptions so they are consistent across all of the state's tolled facilities.

These changes simplify use of all tolled facilities, reduce administrative efforts with streamlined regulations, support parity between communities with tolled facilities, and further align tolling policies with state transportation system goals. None of these changes are expected to result in the need for a toll rate increase.

Changes to tolling exemptions included:

- Extending the transit, vanpool and incident response vehicle exemptions to the Tacoma Narrows Bridge, consistent with the exemption policies on all other facilities.
- Exempting private buses per federal regulatory requirements, and school buses on all facilities, if meeting specified vehicle and use requirements.
- Creating consistency across all facilities on when exemption policies for emergency vehicles, incident response, and maintenance vehicles apply.

The two tables on the following page provide a comparison of the current and adopted toll exemption policies for each facility.

Exemption changes, as adopted and filed for inclusion in the Washington Administrative Code by the Transportation Commission, are scheduled to take effect June 1, 2019. The Transportation Commission set this effective date to align with the implementation of WSDOT's new back office tolling system.

2019 Plans

The Transportation Commission will monitor the implementation of the adopted exemptions policy, while continuing its oversight role of toll collections and operational policies. The Commission will also continue to seek opportunities for a more systemic approach to tolling in Washington state.

**Comparison of Exemptions by Facility
Before & After Policy Change (Adopted July 2018)**

Current Exemptions by Facility (Until adopted changes take effect June 2019)

In effect through May 31, 2019	Carpools	Motorcycles	Transit/ Rideshare	Private Buses	Emergency Vehicles	Incident Response/ Tow Trucks	Maintenance Vehicles
			← Non-HOV exemptions →				
BRIDGES AND TUNNELS							
SR 16 Tacoma Narrows Bridge	No	No	No	No	Bona fide emergency	No	In-Service
SR 520 Bridge	No	No	At all times	At all times. Fixed route only	Bona fide emergency	In-Service	In-Service
SR 99 Tunnel (tolling begins in summer 2019)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MANAGED LANES							
SR 167 HOT Lanes	2+	At all times	At all times	At all times	On-Duty	In-Service	At all times
I-405 Express Toll Lanes	3+ peak/ 2+ off peak	At all times	At all times	At all times	In-Service	In-Service	In-Service

Adopted Exemptions by Facility (Take effect June 2019)

Adopted: July 17, 2018 Expected effective date: June 1, 2019	Carpools	Motorcycles	Transit/ Rideshare	Private Buses/ School Buses	Emergency Vehicles	Tow Trucks (WSP Authorized)	Incident Response/ O&M Vehicles
			← Non-HOV exemptions →				
BRIDGES AND TUNNELS							
SR 16 Tacoma Narrows Bridge	No	No	At all times	At all times	On-Duty	In-Service	On-Duty
SR 520 Bridge	No	No	At all times	At all times	On-Duty	In-Service	On-Duty
SR 99 Tunnel	No	No	At all times	At all times	On-Duty	In-Service	On-Duty
MANAGED LANES							
SR 167 HOT Lanes	2+	At all times	At all times	At all times	On-Duty	In-Service	On-Duty
I-405 Express Toll Lanes	3+ peak/ 2+ off peak	At all times	At all times	At all times	On-Duty	In-Service	On-Duty

On-Duty = Vehicle operating in an official capacity

In-Service = On-duty and responding to an incident. Includes private tow trucks directed by WSP to clear vehicles from SR 520 bridge

Looking Forward – What Facilities Will Be Tolled in the Future?

The Transportation Commission engages with WSDOT-led planning on projects that assume toll revenues many years before tolling is scheduled to begin. Currently, this includes the SR 509 and SR 167 completion projects (Gateway Program), and the proposed extension of the I-405 ETLs from

Bellevue to Renton. This engagement informs the Transportation Commission's eventual rate-setting processes by increasing its understanding of the project and stakeholder interests, helps inform stakeholders about the role and impacts of tolling on the project, and enables Transportation Commission input directly into financial planning assumptions for the project.

Future Projects: Summary of Transportation Commission Engagement

Project	2018/19 Commission Engagement	Toll Expectation	Expected Tolling Start Date*
I-405 Renton to Bellevue Widening and ETLs	I-405/SR 167 Interagency Working & Executive Advisory Groups	<ul style="list-style-type: none"> Traffic management Help fund future corridor improvements 	2024
SR 167 Completion (Gateway Program)	SR 167 Steering & Executive Committees	<ul style="list-style-type: none"> Generate \$180m for Gateway Program construction costs 	Phase 1: About 2025
SR 509 Completion (Gateway Program)	SR 509 Steering & Executive Committees	<ul style="list-style-type: none"> On-going operations and maintenance costs Traffic management 	Full Project: About 2030

*Note: Tolling of each project is pending toll authorization from the Legislature

Recommendation: Plan for the Future

The Transportation Commission recommends that the Legislature direct development of a strategic tolling policy plan setting a systemic path forward on tolling into the future.

A strategic tolling policy plan would be forward looking and at a minimum:

- establish a high-level roadmap for development of future toll facilities;
- identify policies to integrate current and future toll facilities and enhance overall transportation system performance; and
- evaluate the cumulative impacts of tolling on specific regions or populations.

With tolling on the SR 99 tunnel beginning in 2019, and an additional three tolling projects in the planning stages, this is an optimum time to develop this plan. It would build upon recent WSDOT and WSTC efforts in support of system-wide coordination for tolling policies and operations, including the Transportation Commission's adoption of consistent toll policies across all facilities, and a strategic operations plan for tolling completed by WSDOT in recent years.

SUMMARY OF CURRENT TOLL RATES AND REVENUES BY FACILITY

Toll Rates Policies by Facility (FY 2019)

Toll Facility	Rate Structure	Hours of Operation	HOV Policy
SR 16 Tacoma Narrows Bridge	Single Flat Rate	24 hrs., 7 days/wk.	2+ HOV lane w/toll
SR 520 Floating Bridge	Variable Rates by Time of Day & Weekends	24 hrs., 7 days/wk.	3+ HOV lane w/toll
SR 99 Tunnel (<i>tolls begin no earlier than Summer 2019</i>)	Variable Rates by Time of Day & Weekends	24 hrs., 7 days/wk.	No HOV lane
I-405 Express Toll Lanes	Dynamic Pricing Based on Speeds & Volumes	5am – 7pm Weekdays	3+ HOVs always exempt from tolls; 2+ HOVs exempt 9am – 3pm*
SR 167 High Occupancy Toll Lanes	Dynamic Pricing Based on Speeds & Volumes	5am – 7pm 7 days/wk.	2+ HOVs exempt from tolls

*Requires use of Good To Go! Flex Pass transponder

Toll Rates by Facility (FY 2019)

Toll Facility	Good To Go!*	Pay by Mail	Other
SR 16 Tacoma Narrows Bridge	\$5.00	\$7.00	\$6.00 (Toll Booth)
SR 520 Floating Bridge			
Weekdays	\$1.25 - \$4.30	\$3.25 - \$6.30	None
Weekends & Holidays	\$1.25 - \$2.65	\$3.25 - \$4.65	None
SR 99 Tunnel (tolls begin no earlier than Summer 2019)			
Weekdays	\$1.00 - \$2.25	\$3.00 - \$4.25	None
Weekends & Holidays	\$1.00	\$3.00	None
I-405 Express Toll Lanes	\$0.75 - \$10.00	\$2.75 - \$12.00	None
SR 167 High Occupancy Toll Lanes	\$0.50 - \$9.00	n/a	None

Note: All rates are for 2 axle vehicles. Rates increase per additional axle.

*\$0.25 fee added for Good To Go! account holders if transponder not detected

Toll Traffic & Revenue by Facility (FY 2018)

Toll Facility	Traffic	Toll Revenue*
SR 16 Tacoma Narrows Bridge	15.3 million	\$81.7 million
SR 520 Floating Bridge	25.8 million	\$83.2 million
I-405 Express Toll Lanes	10.1 million	\$24.1 million
SR 167 High Occupancy Toll Lanes	1.6 million	\$3.3 million
Total	52.8 million	\$192.3 million

Source: TRFC, November 2018

*Adjusted Gross Toll Revenue

APPENDIX A: 2019 TNB LOAN REPORT

In 2018, the Legislature passed legislation (SHB 2990) stating its intent to provide up to \$85 million in loans to keep toll rates at current levels until debt service, deferred sales tax, and loans are repaid (through about FY 2032), except for no more than a \$0.25 rate increase beginning on July 1, 2021 (FY 2022) or later.

The 2018 legislation directed the Transportation Commission to submit a status report to the Transportation Committees of the Legislature annually through the end of debt service payments in FY 2030 that includes sufficient information to enable the Legislature to determine an adequate amount to loan the TNB Account, without requiring higher than planned rate increases or changes to the debt service plan repayment schedule.

Loan Estimates

In alignment with the Legislature's intent stated in the 2018 legislation, the Legislature needs to approve

loans to the TNB Account of:

- \$6.5 million for FY 2020; and
- \$8.4 million for FY 2021.

Without the loan (or other source of non-toll revenue) for FY 2020, the Commission will need to initiate a rate-setting process by late spring 2019 in support of a toll rate increase on July 1, 2019.

The information below summarizes changes since the original loan estimates in spring 2018, and describes additional factors to consider as the Legislature determines an adequate amount of contribution for the loans.

Comparison of Loan Estimates

Current loan estimates are lower than originally estimated in spring 2018, particularly for the 2019-21 biennium. This largely resulted from higher than forecasted traffic volumes, and toll revenues (adjusted

2019-21 Biennium TNB Loan Estimates

	FY 2020	FY 2021	2019-21 Biennium
Current Loan Estimates	\$ 6,511,000	\$ 8,392,000	\$ 14,903,000

Note: estimates rounded to nearest thousand.

Comparison TNB Loan Estimates for 2019-21 Biennium

	FY 2020	FY 2021	2019-21 Biennium
Original Loan Estimates (Spring 2018)	\$ 15,290,000	\$ 10,288,000	\$ 25,577,000
Current Loan Estimates	\$ 6,511,000	\$ 8,392,000	\$ 14,903,000
<i>Difference from Current Estimates</i>	\$ 8,779,000	\$ 1,896,000	\$ 10,674,000

Note: estimates rounded to nearest thousand.

TNB Loan Estimates by Biennium

Loan Scenarios	FY 2020	FY 2021	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium	2027-29 Biennium	2029-31 Biennium	FY 2020 – FY 2030
Original Loan Estimate	\$15,290,000	\$10,288,000	\$25,577,000	\$8,151,000	\$13,916,000	\$12,064,000	\$20,173,000	\$2,414,000	\$82,296,000
Updated Loan Estimate	\$6,511,000	\$8,392,000	\$14,903,000	\$14,614,000	\$14,646,000	\$13,912,000	\$21,657,000	\$2,086,000	\$81,818,000
Difference	\$-8,779,000	\$-1,896,000	\$-10,674,000	\$6,463,000	\$730,000	\$1,848,000	\$1,484,000	\$-328,000	\$-478,000

Note: estimates rounded to nearest thousand.

gross toll revenues). A shift in repair and replacement (R&R) costs to the 2021-23 biennium also contributed to higher net revenues for the 2019-21 biennium.

Loan estimates were modeled by the Transportation Commission with the criteria described in the 2018 legislation, and with data from WSDOT's 2019 TNB financial plan. This was the same process the Commission used for providing the original loan estimates in spring 2018 in support of analysis for the legislation, but with updated sources and assumptions.

Factors Contributing to the Reduction in Current Loan Estimates

Traffic Volumes

Traffic volumes on the TNB increased more than expected in FY 2018, exceeding projections by 0.7%. The current November 2018 forecast, as incorporated into the 2019 TNB financial plan, projects that traffic will remain higher than the previous forecast, but will grow at the same rate.

Unlike the original loan estimates, the current loan estimates incorporate projected impacts on traffic growth rates from a potential \$0.25 rate increase on July 1, 2021 (FY 2022). The revised traffic growth assumption resulted in a 0.5% lower assumed growth rate for FY 2022, or about 82,000 fewer vehicle trips that year, before returning to growth rates assumed in the 2019 TNB financial plan.

Revenues

In addition to benefiting from increased traffic volumes, adjusted gross revenues benefited from higher than expected transactions for higher revenue payment options, including pay by mail and pay by plate. Together, this resulted in a 2.3% increase in adjusted gross revenues in FY 2018. Adjusted gross revenues in FY 2019 have continued to exceed expectations.

A minor negative impact on projected revenues since the original loan estimates was an increase in the type of vehicles exempted from tolls on the TNB, starting June 1, 2019. This exemptions change resulted from a system-wide exemptions policy adopted by the Transportation Commission in July 2018.

These exemptions are projected to reduce annual revenues by about 0.3%, equating to a reduced revenue potential of about \$225,000 annually in FY 2020 and FY 2021, and about \$235,000 annually with

the possible \$0.25 rate increase beginning in FY 2022. With the exemption in effect for only one month during FY 2019, the expected revenue impact is about \$19,000.

Costs

Consistent with WSDOT's 2019 TNB financial plan, the current loan estimates include higher projected costs than previously assumed through the term of the remaining debt service. Costs were also higher for FY 2018 compared to what WSDOT projected in the 2018 TNB financial plan. However, in the 2019-21 biennium a reduction of projected TNB toll lane system and facility repair and replacement costs by about \$6.5 million, with the majority shifted into the 2021-23 biennium, contributed to lower loan estimates for the biennium.

The current loan estimates incorporate cost inflation factors used in WSDOT's TNB financial plan, a change from the original loan estimates.¹ This change resulted in higher overall cost inflation being incorporated into the current loan estimates, further contributing to the higher cost projections.

Financial Model Assumptions

Calculations for the current loan estimates maintained some distinctions from the TNB financial plan. Overall, these distinctions result in higher (more conservative) loan estimates than would otherwise be reported.

These distinctions include:

- Assumption of annual increased revenue and about \$95,000 in annual credit card costs resulting from a possible \$0.25 rate increase on July 1, 2021 (FY 2022), in alignment with the intent of the legislation.
- An assumed annual ending fund balance of \$13.5 million to ensure compliance with the \$10 million three month rolling average requirement established by the Transportation Commission's sufficient minimum balance policy. This assumption also applied for the calculation of the original loan estimates.
- Higher assumed revenue impact from the changes to the exemptions policy that takes effect on June 1, 2019.

¹ The original loan estimate relied on use of an inflation factor to estimate annual projected costs. This was effective for addressing multiple scenarios addressed by the 2017 TNB Work Group. The updated estimate now uses costs that align with WSDOT's 2019 TNB Financial Plan (December 2018).

